

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2573 – SB 2564

February 25, 2016

SUMMARY OF ORIGINAL BILL: Renames the Postsecondary Education Act of 1974 (PEA), the Tennessee Higher Education Authorization Act (THEAA) of 2016, and makes several changes to the THEAA including but not limited to requiring THEC to reexamine the regulatory function of the Commission with regard to its effectiveness, efficiency, and adequacy; requiring the THEC Executive Director to adopt new policies and fees for THEC authorizations of postsecondary education institutions; and setting forth a new expedited authorization process for certain institutions. All new authorization fees shall be flat fees, with the exception of renewal fees, and shall be posted on the THEC website.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$1,100,000/THEC

Decrease State Expenditures - \$1,100,000/THEC

SUMMARY OF AMENDMENT (012696): Deletes and rewrites Sections 5 and 17 of the bill such that the only substantive changes are (1) to require THEC to seek input from institutions subject to the commission's oversight during the rulemaking process, and (2) to change the effective date for all sections excluding promulgation of rules and regulations to October 1, 2016.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Unchanged from the original fiscal note.

Assumptions for the bill as amended:

- Based on the information provided by THEC, \$2,200,000 in state revenue is currently received from propriety schools regulated by the Postsecondary Education Authorization Act of 1974.
- THEC will revise its fee structure in the summer of 2016 so that proprietary postsecondary institutions that are required to be authorized by the state will pay less authorization and renewal fees. The new fee structure has not yet been set by THEC.

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- Based on information from THEC, the new fee structure will result in a recurring decrease in state revenue collected from authorization fees and a like decrease in state expenditures relative to THEC's Postsecondary Authorization Division.
- THEC rule 1540-01-02.09 requires postsecondary institutions to submit annual authorization fees to THEC by October 15 each year.
- Postsecondary institutions will not pay a higher authorization fee under the current fee structure prior to October 1, 2016.
- Based on information received from THEC, the Commission's revenue from postsecondary authorization fees will be reduced by approximately \$1,100,000 each year beginning in FY16-17. As a result, THEC will reduce recurring expenditures by a like amount within the Postsecondary Authorization Division. Given that all applicable fee revenue is collected in October of each year, no proration of first year revenue is required as a result of amendment 012696 which changes the effective date to October 1, 2016.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/rbp